

PART II - CONTRACT CLAUSES
SECTION I
CONTRACT CLAUSES

I.1 CLAUSES INCORPORATED BY REFERENCE (FAR 52.252-2 - FEB 1998).

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this/these addresses: <http://www.ARNet.gov/far> or <http://farsite.hill.af.mil/VDFDAR.html>.

52.202-1	Definitions	DEC 2001
52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6	Restrictions on Subcontractor Sales to the Government	JUL 1995
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-10	Price or Fee Adjustment for Illegal or Improper Activity	JAN 1997
52.203-12	Limitation on Payments to Influence Certain Federal Transactions	JUN 1997
52.204-2	Security Requirements	AUG 1996
52.204-4	Printed or Copied Double-Sided on Recycled Paper	AUG 2000
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors	JUL 1995
	Debarred, Suspended, or Proposed for Debarment	
52.211-5	Material Requirements	AUG 2000
52.211-6	Brand Name or Equal	AUG 1999
52.211-15	Defense Priority and Allocation Requirements	SEP 1990
52.215-2	Audit and Records - Negotiation	JUN 1999
52.215-8	Order of Precedence - Uniform Contract Format	OCT 1997
52.215-10	Price Reduction for Defective Cost or Pricing Data	OCT 1997
52.215-11	Price Reduction for Defective Cost or Pricing Data - Modifications	OCT 1997
52.215-12	Subcontractor Cost or Pricing Data	OCT 1997
52.215-13	Subcontractor Cost or Pricing Data - Modifications	OCT 1997
52.215-14	Integrity of Unit Prices	OCT 1997
52.215-19	Notification of Ownership Changes	OCT 1997
52.215-20	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data	OCT 1997
52.215-21	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications	OCT 1997
52.216-7	Allowable Cost and Payment	FEB 2002
52.216-8	Fixed Fee	MAR 1997
52.216-14	Allowable Cost and Payment - Facilities Use	APR 1984
52.216-27	Single or Multiple Awards	OCT 1995
52.217-8	Option to Extend Services (fill-in blank at paragraph (a) with "60 days")	NOV 1999
52.217-9	Option to Extend the Term of the Contract (fill-in blank at paragraph (a) with "within 30 days before the contract expires" and fill-in blank at paragraph (e) with "84 months")	MAR 2000
52.219-7	Notice of Partial Small Business Set-Aside	JUL 1996
52.219-8	Utilization of Small Business Concerns	OCT 2000
52.219-9	Small Business Subcontracting Plan	JAN 2002
52.219-14	Limitations on Subcontracting	DEC 1996
52.219-16	Liquidated Damages - Subcontracting Plan	JAN 1999
52.222-2	Payment for Overtime Premiums (fill-in blank at paragraph (a) with "0")	JUL 1990
52.222-3	Convict Labor	AUG 1996
52.222-4	Contract Work Hours and Safety Standards Act - Overtime Compensation	SEP 2000
52.222-20	Walsh-Healy Public Contracts Act	DEC 1996
52.222-21	Prohibition of Segregated Facilities	FEB 1999

52.222-26	Equal Opportunity	FEB 1999
52.222-29	Notification of Visa Denial	FEB 1999
52.222-35	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans	DEC 2001
52.222-36	Affirmative Action for Workers With Disabilities	JUN 1998
52.222-37	Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans	DEC 2001
52.223-5	Pollution Prevention and Right-to-Know Information	APR 1998
52.223-6	Drug Free Workplace	MAY 2001
52.223-14	Toxic Chemical Release Reporting	OCT 2000
52.224-1	Privacy Act Notification	APR 1984
52.224-2	Privacy Act	APR 1984
52.225-1	Buy American Act - Balance of Payments Program - Supplies	FEB 2000
52.225-3	Buy American Act - North American Free Trade Agreement - Israeli Trade Act - Balance of Payments Program	FEB 2002
52.225-13	Restrictions on Certain Foreign Purchases	JUL 2000
52.226-1	Utilization of Indian Organizations and Indian-Owned Economic Enterprises	JUN 2000
52.227-1	Authorization and Consent	JUL 1995
52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement	AUG 1996
52.227-12	Patent Rights - Retention by the Contractor (Long Form)	JAN 1997
52.227-14	Rights in Data - General	JUN 1987
52.227-16	Additional Data Requirements	JUN 1987
52.228-4	Workers' Compensation and War-Hazard Insurance Overseas	APR 1984
52.228-5	Insurance - Work on a Government Installation	JAN 1997
52.228-7	Insurance - Liability to Third Persons	MAR 1996
52.229-3	Federal, State and Local Taxes	JAN 1991
52.229-5	Taxes - Contracts Performed in U.S. Possessions or Puerto Rico	APR 1984
52.229-6	Taxes - Foreign Fixed-Price Contracts	JAN 1991
52.229-8	Taxes - Foreign Cost-Reimbursement Contracts	MAR 1990
52.229-10	State of New Mexico Gross Receipts and Compensating Tax	OCT 1988
52.230-2	Cost Accounting Standards	APR 1998
52.230-3	Disclosure and Consistency of Cost Accounting Practices	APR 1998
52.230-4	Consistency in Cost Accounting Practices	AUG 1992
52.232-1	Payments	APR 1984
52.232-8	Discounts for Prompt Payment	FEB 2002
52.232-9	Limitation on Withholding of Payments	APR 1984
52.232-11	Extras	APR 1984
52.232-17	Interest	JUN 1996
52.232-18	Availability of Funds	APR 1984
52.232-20	Limitation of Cost	APR 1984
52.232-22	Limitation of Funds	APR 1984
52.232-23	Assignment of Claims	JAN 1986
52.232-25	Prompt Payment	FEB 2002
52.232-28	Invitation to Propose Performance Based Payments	MAR 2000
52.232-32	Performance-Based Payments	FEB 2002
52.232-33	Payment by Electronic Funds Transfer - Central Contractor Registration	MAY 1999
52.233-1	Disputes, w/Alt. I (DEC 1991)	DEC 1998
52.233-3	Protest After Award, w/Alt. I (JUN 1985)	AUG 1996
52.237-2	Protection of Government Buildings, Equipment, and Vegetation	APR 1984
52.237-3	Continuity of Services	JAN 1991
52.237-8	Restriction on Severance Payments to Foreign Nationals	OCT 1995
52.237-9	Waiver of Limitation on Severance Payments to Foreign Nationals	OCT 1995
52.242-1	Notice of Intent to Disallow Costs	APR 1984
52.242-3	Penalties for Unallowable Costs	MAY 2001
52.242-13	Bankruptcy	JUL 1995
52.243-1	Changes - Fixed-Price, w/Alt. I and II (APR 1984)	AUG 1987

52.243-2	Changes - Cost-Reimbursement, w/Alt. I and II (APR 1984)	AUG 1987
52.243-3	Changes - Time-and-Material or Labor-Hours	SEP 2000
52.243-6	Change Order Accounting	APR 1984
52.244-2	Subcontracts, w/Alt. I and II (AUG 1998)	AUG 1998
52.244-5	Competition in Subcontracting	DEC 1996
52.244-6	Subcontracts for Commercial Items	DEC 2001
52.245-1	Property Records	APR 1984
52.245-2	Government Property (Fixed Price Contracts), w/Alt. I (APR 1984) (Deviation)	DEC 1989
52.245-5	Government Property (Cost-Reimbursement Time-and-Materials, or Labor Hour Contracts)	JAN 1986
52.246-24	Limitation of Liability - High Value Items	FEB 1997
52.246-25	Limitation of Liability - Services	FEB 1997
52.247-1	Commercial Bill of Lading Notations	APR 1984
52.248-1	Value Engineering	FEB 2000
52.249-2	Termination for Convenience of the Government (Fixed-Price)	SEP 1996
52.249-6	Termination (Cost Reimbursement)	SEP 1996
52.249-8	Default (Fixed-Price Supply and Service)	APR 1984
52.249-14	Excusable Delays	APR 1984
52.251-1	Government Supply Sources	APR 1984
52.252-6	Authorized Deviations in Clauses	APR 1984
52.253-1	Computer Generated Forms	JAN 1991

I.2 DoD FAR SUPPLEMENT (DFARS) CLAUSES INCORPORATED BY REFERENCE.

252.201-7000	Contracting Officer's Representative	DEC 1991
252.203-7001	Prohibition on Persons Convicted of Fraud or Other Defense Contract-Related Felonies	MAR 1999
252.203-7002	Display of DoD Hotline Poster	DEC 1991
252.204-7000	Disclosure of Information	DEC 1991
252.204-7002	Payment for Subline Items Not Separately Priced	DEC 1991
252.204-7003	Control of Government Personnel Work Product	APR 1992
252.204-7004	Required Central Contractor Registration	NOV 2001
252.204-7005	Oral Attestation of Security Responsibilities	NOV 2001
252.205-7000	Provisions of Information to Cooperative Agreement Holders	DEC 1991
252.209-7000	Acquisition from Subcontractors Subject to On-Site Inspection Under the Intermediate Range Nuclear Forces (INF) Treaty	NOV 1995
252.209-7004	Subcontracting With Firms That are Owned or Controlled by the Government of a Terrorist Country	MAR 1998
252.215-7000	Pricing Adjustments	DEC 1991
252.215-7002	Cost Estimating System Requirements	OCT 1998
252.219-7003	Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan (DoD Contracts)	APR 1996
252.222-7002	Compliance With Local Labor Laws (Overseas)	JUN 1997
252.222-7004	Compliance With Spanish Social Security Laws and Regulations	JUN 1997
252.222-7005	Prohibition on Use of Nonimmigrant Alien - Guam	SEP 1999
252.223-7004	Drug-Free Work Force	SEP 1988
252.223-7006	Prohibition on Storage and Disposal of Toxic and Hazardous Materials	APR 1993
252.225-7001	Buy American Act and Balance of Payments Program	MAR 1998
252.225-7002	Qualifying Country Sources As Subcontractors	DEC 1991
252.225-7003	Information for Duty-Free Entry Evaluation	MAR 1998
252.225-7007	Buy American Act - Trade Agreements - Balance of Payments Program	SEP 2001
252.225-7008	Supplies to be Accorded Duty-Free Entry	MAR 1998
252.225-7009	Duty-Free Entry - Qualifying Country Supplies (End Products and Components)	AUG 2000
252.225-7010	Duty-Free Entry - Additional Provisions	AUG 2000
252.225-7012	Preference for Certain Domestic Commodities	AUG 2000
252.225-7016	Restriction on Acquisition of Ball and Roller Bearings	DEC 2000

252.225-7025	Restriction on Acquisition of Forgings	JUN 1997
252.225-7026	Reporting of Contract Performance Outside the United States	JUN 2000
252.225-7031	Secondary Arab Boycott of Israel	JUN 1992
252.225-7041	Correspondence in English	JUN 1997
252.225-7042	Authorization to Perform	JUN 1997
252.227-7000	Non-Estoppel	OCT 1966
252.227-7001	Release of Past Infringement	AUG 1984
252.227-7013	Rights in Technical Data - Noncommercial Items	NOV 1995
252.227-7014	Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation	JUN 1995
252.227-7015	Technical Data - Commercial Items	NOV 1995
252.227-7016	Rights in Bid or Proposal Information	JUN 1995
252.227-7017	Identification and Assertion of Use, Release, or Disclosure Restrictions	JUN 1995
252.227-7019	Validation of Asserted Restrictions - Computer Software	JUN 1995
252.227-7025	Limitations on the Use or Disclosure of Government-Furnished Information	JUN 1995
	Marked with Restrictive Legends	
252.227-7027	Deferred Ordering of Technical Data or Computer Software	APR 1988
252.227-7028	Technical Data or Computer Software Previously Delivered to the Government	JUN 1995
252.227-7030	Technical Data - Withholding of Payment	MAR 2000
252.227-7032	Rights in Technical Data and Computer Software (Foreign)	JUN 1975
252.227-7034	Patents - Subcontracts	APR 1984
252.227-7036	Declaration of Technical Data Conformity	JAN 1997
252.227-7037	Validation of Restrictive Markings on Technical Data	SEP 1999
252.228-7003	Capture and Detention	DEC 1991
252.228-7006	Compliance With Spanish Laws and Insurance	DEC 1998
252.229-7000	Invoices Exclusive of Taxes or Duties	JUN 1997
252.229-7002	Customs Exemptions (Germany)	JUN 1997
252.229-7003	Tax Exemptions (Italy)	JAN 2002
252.229-7005	Tax Exemptions (Spain)	JUN 1997
252.229-7006	Value Added Tax Exclusion (United Kingdom)	JUN 1997
252.229-7008	Relief From Import Duty (United Kingdom)	JUN 1997
252.231-7000	Supplemental Cost Principles	DEC 1991
252.232-7008	Assignment of Claims (Overseas)	JUN 1997
252.233-7001	Choice of Law (Overseas)	JUN 1997
252.235-7003	Frequency Authorization	DEC 1991
252.239-7000	Protection Against Compromising Emanations	DEC 1991
252.239-7002	Access	DEC 1991
252.239-7003	Facilities and Services to be Furnished - Common Carriers	DEC 1991
252.239-7004	Orders for Facilities and Services - Common Carriers	DEC 1991
252.239-7005	Rates, Charges, and Services - Common Carriers	DEC 1991
252.239-7006	Tariff Information	JUL 1997
252.239-7007	Cancellation or Termination of Orders - Common Carriers	JAN 1997
252.239-7008	Reuse Arrangements	DEC 1991
252.239-7012	Title to Telecommunication Facilities and Equipment	DEC 1991
252.242-7000	Postaward Conference	DEC 1991
252.242-7004	Material Management and Accounting System	DEC 2000
252.242-7005	Cost/Schedule Status Report	MAR 1998
252.243-7001	Pricing of Contract Modifications	DEC 1991
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts)	MAR 2000
252.245-7001	Reports of Government Property	MAY 1994
252.246-7001	Warranty of Data	DEC 1991
252.247-7023	Transportation of Supplies by Sea	MAR 2000
252.247-7024	Notification of Transportation of Supplies by Sea	MAR 2000

(End of Clause)

I.3 APPROVAL OF CONTRACT (FAR 52.204-1 - DEC 1989).

This contract is subject to the written approval of the Source Selection Authority (SSA) and shall not be binding until so approved.

(End of Clause)

I.4 ORDERING (FAR 52.216-18 - OCT 1995).

a. Any supplies and services to be furnished under this contract shall be ordered by issuance of delivery orders or task orders by the individuals or activities designated in the Schedule. Such orders may be issued for the life of the contract.

b. All delivery orders or task orders are subject to the terms and conditions of this contract. In the event of conflict between a delivery order or task order and this contract, the contract shall control.

c. If mailed, a delivery order or task order is considered "issued" when the Government deposits the order in the mail. Orders may be issued orally, by facsimile, or by electronic commerce methods only if authorized in the Schedule.

(End of Clause)

I.5 ORDER LIMITATIONS (FAR 52.216-19 - OCT 1995).

a. Minimum order. When the Government requires supplies or services covered by this contract in an amount of less than \$500.00, the Government is not obligated to purchase, nor is the contractor obligated to furnish, those supplies or services under the contract.

b. Maximum order. The contractor is not obligated to honor:

(1) Any order for a single item in excess of \$50 million;

(2) Any order for a combination of items in excess of \$100 million; or

(3) A series of orders from the same ordering office within 60 days that together call for quantities exceeding the limitation in subparagraph (1) or (2) above.

c. If this is a requirements contract (i.e., includes the Requirements clause at subsection 52.216-21 of the Federal Acquisition Regulation (FAR)), the Government is not required to order a part of any one requirement from the contractor if that requirement exceeds the maximum-order limitations in paragraph (b) above.

d. Notwithstanding paragraphs (b) and (c) above, the contractor shall honor any order exceeding the maximum order limitations in paragraph (b), unless that order (or orders) is returned to the ordering office within 5 days after issuance, with written notice stating the contractor's intent not to ship the item (or items) called for and the reasons. Upon receiving this notice, the Government may acquire the supplies or services from another source.

(End of Clause)

I.6 INDEFINITE QUANTITY (FAR 52.216-22 - OCT 1995).

a. This is an indefinite-quantity contract for the supplies or services specified, and effective for the period stated, in the Schedule. The quantities of supplies and services specified in the Schedule are estimates only and are not purchased by this contract.

b. Delivery or performance shall be made only as authorized by orders issued in accordance with the Ordering clause. The contractor shall furnish to the Government, when and if ordered, the supplies or services specified in the Schedule up to and including the quantity designated in the Schedule as the "maximum." The Government shall order at least the quantity of supplies or services designated in the Schedule as the "minimum."

c. Except for any limitations on quantities in the Order Limitations clause or in the Schedule, there is no limit on the number of orders that may be issued. The Government may issue orders requiring delivery to multiple destinations or performance at multiple locations.

d. Any order issued during the effective period of this contract and not completed within that period shall be completed by the contractor within the time specified in the order. The contract shall govern the contractor's and Government's rights and obligations with respect to that order to the same extent as if the order were completed during the contract's effective period; provided, that the contractor shall not be required to make any deliveries under this contract after expiration of due date(s) as specified in individual task orders (FAR 16.505(e)).

(End of Clause)

I.7 PAYMENTS UNDER TIME-AND-MATERIALS AND LABOR-HOUR CONTRACTS (FAR 52.232-7 - FEB 2002).

The Government will pay the Contractor as follows upon the submission of invoices or vouchers approved by the Contracting Officer:

a. Hourly rate.

(1) The amounts shall be computed by multiplying the appropriate hourly rates prescribed in the Schedule by the number of direct labor hours performed. The rates shall include wages, indirect costs, general and administrative expense, and profit. Fractional parts of an hour shall be payable on a prorated basis. Vouchers may be submitted once each month (or at more frequent intervals, if approved by the Contracting Officer), to the Contracting Officer or designee. The Contractor shall substantiate vouchers by evidence of actual payment and by individual daily job timecards, or other substantiation approved by the Contracting Officer. Promptly after receipt of each substantiated voucher, the Government shall, except as otherwise provided in this contract, and subject to the terms of (e) of this section, pay the voucher as approved by the Contracting Officer.

(2) Unless otherwise prescribed in the Schedule, the Contracting Officer shall withhold 5 percent of the amounts due under this paragraph (a), but the total amount withheld shall not exceed \$50,000. The amounts withheld shall be retained until the execution and delivery of a release by the Contractor as provided in paragraph (f) of this section.

(3) Unless the Schedule prescribes otherwise, the hourly rates in the Schedule shall not be varied by virtue of the Contractor having performed work on an overtime basis. If no overtime rates are provided in the Schedule and overtime work is approved in advance by the Contracting Officer, overtime rates shall be negotiated. Failure to agree upon these overtime rates shall be treated as a dispute under the Disputes clause of this contract. If the Schedule provides rates for overtime, the premium portion of those rates will be reimbursable only to the extent the overtime is approved by the Contracting Officer.

b. Materials and subcontracts.

(1) The Contracting Officer will determine allowable costs of direct materials in accordance with Subpart 31.2 of the Federal Acquisition Regulation (FAR) in effect on the date of this contract. Direct materials, as used in

this clause, are those materials that enter directly into the end product, or that are used or consumed directly in connection with the furnishing of the end product.

(2) The Contractor may include reasonable and allocable material handling costs in the charge for material to the extent they are clearly excluded from the hourly rate. Material handling costs are comprised of indirect costs, including, when appropriate, general and administrative expense allocated to direct materials in accordance with the Contractor's usual accounting practices consistent with Subpart 31.2 of the FAR.

(3) The Government will reimburse the Contractor for items and services purchased directly for the contract only when payment of cash, checks, or other forms of payment have been made for such purchased items or services.

(4) (i) The Government will reimburse the Contractor for costs of subcontracts that are authorized under the subcontracts clause of this contract, provided that the costs are consistent with paragraph (b)(5) of this clause.

(ii) The Government will limit reimbursable costs in connection with subcontracts to the amounts paid for items and services purchased directly for the contract only when the Contractor has made or will make payments of cash, checks, or other forms of payment to the subcontractor-

(A) In accordance with the terms and conditions of a subcontract or invoice; and

(B) Ordinarily prior to the submission of the Contractor's next payment request to the Government.

(iii) The Government will not reimburse the Contractor for any costs arising from the letting, administration, or supervision of performance of the subcontract, if the costs are included in the hourly rates payable under paragraph (a)(1) of this clause.

(5) To the extent able, the Contractor shall--

(i) Obtain materials at the most advantageous prices available with due regard to securing prompt delivery of satisfactory materials; and

(ii) Take all cash and trade discounts, rebates, allowances, credits, salvage, commissions, and other benefits. When unable to take advantage of the benefits, the Contractor shall promptly notify the Contracting Officer and give the reasons. The Contractor shall give credit to the Government for cash and trade discounts, rebates, scrap, commissions, and other amounts that have accrued to the benefit of the Contractor, or would have accrued except for the fault or neglect of the Contractor. The Contractor shall not deduct from gross costs the benefits lost without fault or neglect on the part of the Contractor, or lost through fault of the Government.

c. Total cost. It is estimated that the total cost to the Government for the performance of this contract shall not exceed the ceiling price set forth in the Schedule and the Contractor agrees to use its best efforts to perform the work specified in the Schedule and all obligations under this contract within such ceiling price. If at any time the Contractor has reason to believe that the hourly rate payments and material costs that will accrue in performing this contract in the next succeeding 30 days, if added to all other payments and costs previously accrued, will exceed 85 percent of the ceiling price in the Schedule, the Contractor shall notify the Contracting Officer giving a revised estimate of the total price to the Government for performing this contract with supporting reasons and documentation. If at any time during performing this contract, the Contractor has reason to believe that the total price to the Government for performing this contract will be substantially greater or less than the then stated ceiling price, the Contractor shall so notify the Contracting Officer, giving a revised estimate of the total price for performing this contract, with supporting reasons and documentation. If at any time during performing this contract, the Government has reason to believe that the work to be required in performing this contract will be substantially greater or less than the stated ceiling price, the Contracting Officer will so advise the Contractor, giving the then revised estimate of the total amount of effort to be required under the contract.

d. Ceiling price. The Government shall not be obligated to pay the Contractor any amount in excess of the ceiling price in the Schedule, and the Contractor shall not be obligated to continue performance if to do so would exceed

the ceiling price set forth in the Schedule, unless and until the Contracting Officer shall have notified the Contractor in writing that the ceiling price has been increased and shall have specified in the notice a revised ceiling that shall constitute the ceiling price for performance under this contract. When and to the extent that the ceiling price set forth in the Schedule has been increased, any hours expended and material costs incurred by the Contractor in excess of the ceiling price before the increase shall be allowable to the same extent as if the hours expended and material costs had been incurred after the increase in the ceiling price.

e. Audit. At any time before final payment under this contract the Contracting Officer may request audit of the invoices or vouchers and substantiating material. Each payment previously made shall be subject to reduction to the extent of amounts, on preceding invoices or vouchers, that are found by the Contracting Officer not to have been properly payable and shall also be subject to reduction for overpayments or to increase for underpayments. Upon receipt and approval of the voucher or invoice designated by the Contractor as the "completion voucher" or "completion invoice" and substantiating material, and upon compliance by the Contractor with all terms of this contract (including, without limitation, terms relating to patents and the terms of (f) and (g) of this section), the Government shall promptly pay any balance due the Contractor. The completion invoice or voucher, and substantiating material, shall be submitted by the Contractor as promptly as practicable following completion of the work under this contract, but in no event later than 1 year (or such longer period as the Contracting Officer may approve in writing) from the date of completion.

f. Assignment. The Contractor, and each assignee under an assignment entered into under this contract and in effect at the time of final payment under this contract, shall execute and deliver, at the time of and as a condition precedent to final payment under this contract, a release discharging the Government, its officers, agents, and employees of and from all liabilities, obligations, and claims arising out of or under this contract, subject only to the following exceptions:

(1) Specified claims in stated amounts, or in estimated amounts if the amounts are not susceptible of exact statement by the Contractor.

(2) Claims, together with reasonable incidental expenses, based upon the liabilities of the Contractor to third parties arising out of performing this contract, that are not known to the Contractor on the date of the execution of the release, and of which the Contractor gives notice in writing to the Contracting Officer not more than 6 years after the date of the release or the date of any notice to the Contractor that the Government is prepared to make final payment, whichever is earlier.

(3) Claims for reimbursement of costs (other than expenses of the Contractor by reason of its indemnification of the Government against patent liability), including reasonable incidental expenses, incurred by the Contractor under the terms of this contract relating to patents.

g. Refunds. The Contractor agrees that any refunds, rebates, or credits (including any related interest) accruing to or received by the Contractor or any assignee, that arise under the materials portion of this contract and for which the Contractor has received reimbursement, shall be paid by the Contractor to the Government. The Contractor and each assignee, under an assignment entered into under this contract and in effect at the time of final payment under this contract, shall execute and deliver, at the time of and as a condition precedent to final payment under this contract, an assignment to the Government of such refunds, rebates, or credits (including any interest) in form and substance satisfactory to the Contracting Officer.

h. Interim payments.

(1) Interim payments made prior to the final payment under the contract are contract financing payments. Contract financing payments are not subject to the interest penalty provisions of the Prompt Payment Act.

(2) The designated payment office will make interim payments for contract financing on the 30th day after the designated billing office receives a proper payment request. In the event that the Government requires an audit or other review of a specific payment request to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the specified due date.

(End of Clause)

ALTERNATE I (MAY 2000). If the nature of the work to be performed requires the Contractor to furnish material that the Contractor regularly sells to the general public in the normal course of business, and the price is under the limitations prescribed in 16.601(b)(3), add the following paragraph (6) to paragraph (b) of the basic clause:

b. (6) If the nature of the work to be performed requires the Contractor to furnish material that the Contractor regularly sells to the general public in the normal course of business, the price to be paid for such material, notwithstanding the other requirements of this paragraph (b), shall be on the basis of an established catalog or list price, in effect when the material is furnished, less all applicable discounts to the Government; provided, that in no event shall such price be in excess of the Contractor's sales price to its most favored customer for the same item in like quantity, or the current market price, whichever is lower.

ALTERNATE II (FEB 2002). If a labor-hour contract is contemplated, and if no specific reimbursement for materials furnished is intended, the Contracting Officer may add the following paragraph (i) to the basic clause:

(i) The terms of this clause that govern reimbursement for materials furnished are considered to have been deleted.

(End of Clause)

(END OF SECTION I)